



# BUDGET COMMITTEE



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**Senator Gregg's Opening Remarks at Budget Hearing on  
the Outlook for the Economy and Fiscal Policy  
September 28, 2010  
(unofficial transcript)**

I would like to associate myself with the second half of the Chairman's presentation, which is that I do not believe that economic recovery will occur until we make it clear to the markets and the American people that we are going to be serious about dealing with the debt of this country and the rising deficits and the impact on the markets and the impact on confidence.

I believe the American people have pretty much lost their confidence in their government. They are seeing a government that is grossly over-expanded, which has exploded in its size from 20% of GDP when this Administration came into office and is now at 24% of GDP, headed up to 26%-27% of GDP.

This government has exploded not only in the size of its spending, but also in the size of regulatory activity, to the point where it's very hard for small businesses to be able to do business because they are weighed down by this massive expansion in regulatory activity, especially from the health care bill, creating huge uncertainties in the future of a small company or a small business as to whether or not it should expand.

That's coupled with the fact that we've passed laws which have significantly retarded the availability of credit by being a misdirected effort to try to correct the very serious problems of our banking system, the financial reform bill being a specific act of transgression here. And it is a bill which has caused credit to contract and will cause credit to continue to contract without doing anything substantial or significant in the area of addressing the underlying problems which drive the credit contraction, which were the real estate bubble and the excessive and inappropriate lending that was occurring in the marketplace.

Instead of addressing those issues, it created again layers and layers of new regulatory activity, hundreds, literally, of new regulatory agency initiatives, including a brand new agency called the Bureau of Consumer Financial Protection, which is going to be headed up by an ad hoc individual who is not even going to appear before the Congress for confirmation. What a transgression of the Constitutional process that is, since this person

will probably be one of the most powerful people in Washington with a stream of funding which has absolutely no accountability to the Congress because it comes from the Federal Reserve and therefore is not subject to annual appropriations and a director who, it appears, will also have no accountability to Congress because the director will not even come to the Congress to be confirmed as the law requires. And that agency shall, I predict, will be an agency not for the purposes of protecting consumer credit but for the purposes of pursuing a political agenda of social justice as defined by the leader of that agency.

So the American small business person is being inundated with a government of excess spending, excess regulation, excess concern about the capacity to know what's going to happen in the future in the area of credit, and that's why the economy isn't moving forward. If we want to get the economy moving forward, we should begin by putting in place financial systems in the federal government which will control the deficit and debt in the out-years and give people confidence that we will get that under control. And we should begin the process of an orderly reorganization of our health care system that will make it function rather than become more bureaucratic and we should take a look at our credit markets and see how we can make them function more efficiently and effectively in a responsible way, all of which we have not done.

There's that old cartoon Pogo saying, "We have met the enemy and he is us." Well, the enemy of economic expansion in this country is the federal government, especially the way it has been pursuing policies for the last two years, and we need to change.

I look forward to Director Elmendorf's thoughts.